

Epidemic and pandemic risks

# How Captives can manage this complex insurance problem

Epidemic and pandemic outbreaks are becoming more frequent and severe, but selected elements of the risk are insurable.

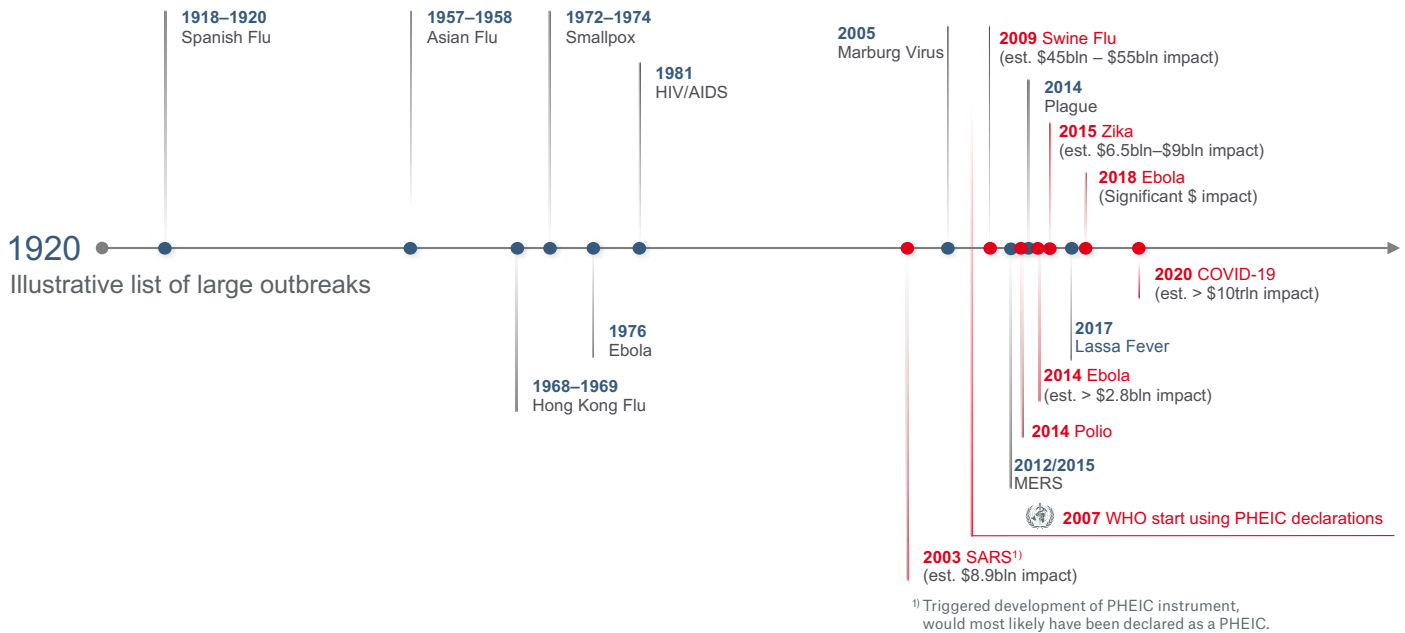
The key is to have an experienced and solvent risk transfer partner at your side. Thanks to Munich Re's Epidemic Risk Solutions extensive know-how and experience, Captives can now offer their parent company a comprehensive and tailored risk transfer solution to protect against viral epidemics and pandemics, while ensuring that its management meets its fiduciary obligations.

## Epidemic and pandemic risk is increasing

The trend of outbreaks per year has been increasing over the last six decades. On average, 200 epidemic outbreaks and five emerging infectious diseases are reported per year. Epidemics and pandemics cause severe economic impact to all business sectors. The estimated financial impact of previous pandemics range from single-digit US\$ bn to over US\$ 10trln for COVID-19, and rising.

### Frequency and severity of outbreaks are increasing

Since 2007 the WHO declares outbreaks with the greatest potential negative impact as Public Health Emergencies of International Concern (PHEIC). PHEICs are marked in red below.



Outbreaks with wider impact are occurring more frequently. The economic impact varies but is always significant. Social, political, demographic and climate factors contribute to the scale of loss.

### Protect your company against the economic impact of the next epidemic or pandemic

Although the risk is systemic and severe, it is possible to assess, model and transfer it entirely or retain a portion of the risk on the balance sheet of the Captive vehicle. The establishment of the Epidemic Risk Markets platform allows Munich Re to offer a non-damage parametrically triggered Epidemic/Pandemic policy using the WHO reporting protocol combined with local authority ordered restrictions. The policy pays for agreed and adjusted Financial impacts such as lost income or extra expense.

### Solve a complex insurance issue by making the best use of your Captive vehicle

Munich Re's Epidemic Risk Solutions team<sup>1</sup> can structure, price and underwrite cover outside of the Captive's ability - enabling it to robustly offer broader cover and retain or transfer separately. Insurance is available for almost all known and unknown viral diseases.

<sup>1</sup> Munich Re has licensed fronting arrangements in most jurisdictions including all US states

## Profit from the long-term strategic benefits of your partnership with Munich Re's Epidemic Risk Solutions team

Our collaborative approach allows us to address your specific needs. For you, this means that we can underwrite tailor-made solutions, including new risks.

Our solutions are based on our considerable industry expertise and many years of experience with risk transfer solutions in all relevant business areas. With our excellent claims handling processes, we have your back in the event of a claim.

Partnering with Munich Re's Epidemic Risk Solutions helps protect against the economic impact of the next epidemic or pandemic – giving you financial resilience and data to assist in risk management.

## Combine your strengths with ours

Requirements and challenges	Captive	Munich Re	Together	How a joint solution could work
Creating an insurance policy for this new Non Damage Peril is complex and requiring epidemiological expertise.	✗	✓	✓	Munich Re has spent many years creating solutions to fit differing risk profiles and can structure/price.
Policy structure must meet regulator's approval.	✗	✓	✓	Munich Re is a globally regulated, rated and trusted reinsurance partner since being founded in 1880.
Premiums and limit must be justifiable and reasonable and "arms length".	✗	✓	✓	Munich Re uses Big Data and epidemiological expertise to justify premiums and limits.
Policy should cover all aspects of parent loss resulting from the epidemic or pandemic.	✓	✗	✓	If Munich Re's participation in all aspects of parent's loss is not desired or feasible, these exposures nevertheless can be modelled for the captive. E.g. coverage for liability.
Policy should cover COVID-19 losses.	✓	✗	✓	If the captive has appetite to cover COVID-19 losses (including further waves), Munich Re can model this exposure for the captive.
Licencing for all covered areas is challenging and expensive for a captive.	✗	✓	✓	Munich Re has licensed fronting arrangements in most jurisdictions including all US states.

## Leverage Munich Re's deep expertise and experience

Captives can now provide a comprehensive and customised epidemic and pandemic protection solution to their parent company safe in the knowledge that the structure will satisfy legal and regulatory requirements.

## Key benefits for Captives to engage with Munich Re

- Coverage for viral epidemic and pandemic outbreaks
- Cost-effective risk transfer
- Embed epidemiological expertise into your Strategic Risk Management Plan
- Compliance with regulations
- Liquidity and cost control
- Access to specialised risk management expertise

## Contact

Epidemic Risk Solutions  
ERS@munichre.com

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Münchener Rückversicherungs-Gesellschaft  
Königinstrasse 107, 80802 München, Germany

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